

An act to add Chapter 8.1 (commencing with Section 25710) to Division 15 of the Public Resources Code, and to amend Section 2851 of the Public Utilities Code, relating to energy, and making an appropriation therefor, to take effect immediately, bill related to the budget.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Chapter 8.1 (commencing with Section 25710) is added to Division 15 of the Public Resources Code, to read:

CHAPTER 8.1. ELECTRIC PROGRAM INVESTMENT CHARGE FUND

25710. For the purposes of this chapter, the following terms have the following meanings:

(a) "Electric Program Investment Charge" means the surcharge instituted by the Public Utilities Commission pursuant to Decision 11-12-035 or any subsequent decisions to collect funds for renewable energy programs and research, development, and demonstration programs.

(b) "Fund" means the portion of the Electric Program Investment Charge Fund created by Section 25711.

(c) "New Solar Homes Partnership" means the program established by the commission in accordance with Sections 25744 and 25744.5 and Chapter 8.8 (commencing with Section 25780) to encourage the installation of solar energy systems on new residential construction in furtherance of the goals of the California Solar Initiative.

25711. For the purposes of implementing this chapter, the Electric Program Investment Charge Fund is hereby created in the State Treasury.

(a) The commission shall administer the fund.



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(b) At least quarterly, moneys collected by an electrical corporation pursuant to the Electric Program Investment Charge for those programs the Public Utilities Commission has determined should be administered by the Energy Commission shall be forwarded by the Public Utilities Commission to the commission for deposit in the fund.

(c) The Controller shall, as directed by the commission, disburse moneys in the fund for purposes of this chapter.

(d) The commission may use moneys in the fund for the administration of this chapter, as authorized by the Public Utilities Commission and appropriated by the Legislature in the annual Budget Act.

25712. (a) The commission shall use moneys in the fund to carry out renewable energy projects and programs, and research, development, and demonstration projects and programs that are authorized by the Public Utilities Commission.

(b) The commission may award moneys from the fund in the form of contracts, grants, and incentives.

(c) The commission may provide an award to a project or program that includes a group of related projects, or to a party who aggregates projects that directly benefit from the award.

(d) The commission may issue awards that include the ability to make advance payments to prime contractors, to enable them to make advance payments to a subcontractor that is a federal agency, national laboratory, or state entity, provided that the subcontract is binding and enforceable and includes specific performance milestones.



(e) The commission may issue awards that include the ability to assign tasks on a work authorization basis.

(f) The commission may contract for, or through interagency agreement obtain, technical, scientific, or administrative services or expertise from one or more entities, to carry out the purposes of this chapter.

25713. The commission may adopt guidelines governing the award, eligibility, and administration of funding pursuant to this chapter at a publicly noticed meeting offering all interested parties an opportunity to comment. The commission shall provide written public notice of not less than 30 days for the initial adoption of guidelines. Substantive changes to the guidelines shall not be adopted without a 15-day written notice to the public. Notwithstanding any other provision of law, any guidelines adopted pursuant to this chapter shall be exempt from the requirements of the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code).

25714. Notwithstanding any other provision in this division, moneys in the fund may be used to augment funding for the New Solar Homes Partnership program. Moneys for the New Solar Homes Partnership program shall be used in accordance with Sections 25744 and 25744.5 and Chapter 8.8 (commencing with Section 25780), and the eligibility criteria and conditions established in program guidelines adopted by the commission.

SEC. 2. Section 2851 of the Public Utilities Code is amended to read:

2851. (a) In implementing the California Solar Initiative, the commission shall do all of the following:



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(1) The commission shall authorize the award of monetary incentives for up to the first megawatt of alternating current generated by solar energy systems that meet the eligibility criteria established by the State Energy Resources Conservation and Development Commission pursuant to Chapter 8.8 (commencing with Section 25780) of Division 15 of the Public Resources Code. The commission shall determine the eligibility of a solar energy system, as defined in Section 25781 of the Public Resources Code, to receive monetary incentives until the time the State Energy Resources Conservation and Development Commission establishes eligibility criteria pursuant to Section 25782. Monetary incentives shall not be awarded for solar energy systems that do not meet the eligibility criteria. The incentive level authorized by the commission shall decline each year following implementation of the California Solar Initiative, at a rate of no less than an average of 7 percent per year, and shall be zero as of December 31, 2016. The commission shall adopt and publish a schedule of declining incentive levels no less than 30 days in advance of the first decline in incentive levels. The commission may develop incentives based upon the output of electricity from the system, provided those incentives are consistent with the declining incentive levels of this paragraph and the incentives apply to only the first megawatt of electricity generated by the system.

(2) The commission shall adopt a performance-based incentive program so that by January 1, 2008, 100 percent of incentives for solar energy systems of 100 kilowatts or greater and at least 50 percent of incentives for solar energy systems of 30 kilowatts or greater are earned based on the actual electrical output of the solar energy systems. The commission shall encourage, and may require, performance-based incentives for



solar energy systems of less than 30 kilowatts. Performance-based incentives shall decline at a rate of no less than an average of 7 percent per year. In developing the performance-based incentives, the commission may:

(A) Apply performance-based incentives only to customer classes designated by the commission.

(B) Design the performance-based incentives so that customers may receive a higher level of incentives than under incentives based on installed electrical capacity.

(C) Develop financing options that help offset the installation costs of the solar energy system, provided that this financing is ultimately repaid in full by the consumer or through the application of the performance-based rebates.

(3) By January 1, 2008, the commission, in consultation with the State Energy Resources Conservation and Development Commission, shall require reasonable and cost-effective energy efficiency improvements in existing buildings as a condition of providing incentives for eligible solar energy systems, with appropriate exemptions or limitations to accommodate the limited financial resources of low-income residential housing.

(4) Notwithstanding subdivision (g) of Section 2827, the commission may develop a time-variant tariff that creates the maximum incentive for ratepayers to install solar energy systems so that the system's peak electricity production coincides with California's peak electricity demands and that ensures that ratepayers receive due value for their contribution to the purchase of solar energy systems and customers with solar energy systems continue to have an incentive to use electricity efficiently. In developing the time-variant tariff, the commission may exclude customers participating in the



tariff from the rate cap for residential customers for existing baseline quantities or usage by those customers of up to 130 percent of existing baseline quantities, as required by Section 80110 of the Water Code. Nothing in this paragraph authorizes the commission to require time-variant pricing for ratepayers without a solar energy system.

(b) Notwithstanding subdivision (a), in implementing the California Solar Initiative, the commission may authorize the award of monetary incentives for solar thermal and solar water heating devices, in a total amount up to one hundred million eight hundred thousand dollars (\$100,800,000).

(c) (1) In implementing the California Solar Initiative, the commission shall not allocate more than fifty million dollars (\$50,000,000) to research, development, and demonstration that explores solar technologies and other distributed generation technologies that employ or could employ solar energy for generation or storage of electricity or to offset natural gas usage. Any program that allocates additional moneys to research, development, and demonstration shall be developed in collaboration with the Energy Commission to ensure there is no duplication of efforts, and adopted by the commission through a rulemaking or other appropriate public proceeding. Any grant awarded by the commission for research, development, and demonstration shall be approved by the full commission at a public meeting. This subdivision does not prohibit the commission from continuing to allocate moneys to research, development, and demonstration pursuant to the self-generation incentive program for distributed generation resources originally established pursuant to Chapter 329 of the Statutes of 2000, as modified pursuant to Section 379.6.



(2) The Legislature finds and declares that a program that provides a stable source of monetary incentives for eligible solar energy systems will encourage private investment sufficient to make solar technologies cost effective.

(3) On or before June 30, 2009, and by June 30th of every year thereafter, the commission shall submit to the Legislature an assessment of the success of the California Solar Initiative program. That assessment shall include the number of residential and commercial sites that have installed solar thermal devices for which an award was made pursuant to subdivision (b) and the dollar value of the award, the number of residential and commercial sites that have installed solar energy systems, the electrical generating capacity of the installed solar energy systems, the cost of the program, total electrical system benefits, including the effect on electrical service rates, environmental benefits, how the program affects the operation and reliability of the electrical grid, how the program has affected peak demand for electricity, the progress made toward reaching the goals of the program, whether the program is on schedule to meet the program goals, and recommendations for improving the program to meet its goals. If the commission allocates additional moneys to research, development, and demonstration that explores solar technologies and other distributed generation technologies pursuant to paragraph (1), the commission shall include in the assessment submitted to the Legislature, a description of the program, a summary of each award made or project funded pursuant to the program, including the intended purposes to be achieved by the particular award or project, and the results of each award or project.

(d) (1) The commission shall not impose any charge upon the consumption of natural gas, or upon natural gas ratepayers, to fund the California Solar Initiative.



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(2) Notwithstanding any other provision of law, any charge imposed to fund the program adopted and implemented pursuant to this section shall be imposed upon all customers not participating in the California Alternate Rates for Energy (CARE) or family electric rate assistance (FERA) programs, including those residential customers subject to the rate cap required by Section 80110 of the Water Code for existing baseline quantities or usage up to 130 percent of existing baseline quantities of electricity.

(3) The costs of the program adopted and implemented pursuant to this section may not be recovered from customers participating in the California Alternate Rates for Energy or CARE program established pursuant to Section 739.1, except to the extent that program costs are recovered out of the nonbypassable system benefits charge authorized pursuant to Section 399.8.

(e) In implementing the California Solar Initiative, the commission shall ensure that the total cost over the duration of the program does not exceed three billion five hundred fifty million eight hundred thousand dollars (\$3,550,800,000). The financial components of the California Solar Initiative shall consist of the following:

(1) Programs under the supervision of the commission funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. The total cost over the duration of these programs shall not exceed two billion three hundred sixty-six million eight hundred thousand dollars (\$2,366,800,000) and includes moneys collected directly into a tracking account for support of the California Solar Initiative ~~and moneys collected into other accounts that are used to further the goals of the California Solar Initiative.~~



(2) Programs adopted, implemented, and financed in the amount of seven hundred eighty-four million dollars (\$784,000,000), by charges collected by local publicly owned electric utilities pursuant to Section 387.5. Nothing in this subdivision shall give the commission power and jurisdiction with respect to a local publicly owned electric utility or its customers.

(3) Programs for the installation of solar energy systems on new construction, administered by the State Energy Resources Conservation and Development Commission ~~pursuant to Chapter 8.6 (commencing with Section 25740) of Division 15 of the Public Resources Code~~, and funded by ~~nonbypassable~~ charges in the amount of four hundred million dollars (\$400,000,000), collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company ~~pursuant to Article 15 (commencing with Section 399)~~.

(4) The changes made to this subdivision by the chapter adding this paragraph do not authorize the levy of a charge or any increase in the amount collected pursuant to any existing charge, nor do the changes add to, or detract from, the commission's existing authority to levy or increase charges.

SEC. 3. There is hereby appropriated one thousand (\$1,000) from the State Treasury to the Energy Commission for administrative costs.

SEC. 4. This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: California Solar Initiative.

Under existing law, the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. The Reliable Electric Service Investments Act required the PUC to require the state's 3 largest electrical corporations, until January 1, 2012, to identify a separate electrical rate component, commonly referred to as the "public goods charge," to collect specified amounts to fund energy efficiency, renewable energy, and research, development, and demonstration programs that enhance system reliability and provide in-state benefits. An existing decision of the PUC institutes an Electric Program Investment Charge (EPIC), subject to refund, to fund renewable energy and research, development, and demonstration programs.

This bill would create in the State Treasury the Electric Program Investment Charge Fund to be administered by the State Energy Resources Conservation and



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Development Commission (Energy Commission). The bill would require moneys collected by electrical corporations as part of EPIC for those programs the PUC has determined should be administered by the Energy Commission to be forwarded to the Energy Commission at least quarterly for deposit in the fund, as specified. The bill would require the Energy Commission to use moneys in the fund to carry out renewable energy projects and programs, and research, development, and demonstration projects and programs authorized by the PUC. This bill would also authorize the use of moneys in the fund to augment the New Solar Homes Partnership program pursuant to specified provisions of law and established program guidelines.

Decisions of the PUC adopted the California Solar Initiative (CSI). Existing law requires the PUC to undertake certain steps in implementing the CSI, including the requirement that the PUC ensure that the total cost over the duration of the program does not exceed \$3,550,800,000. Existing law requires that one of the financial components of the CSI consists of programs under the supervision of the PUC funded by charges collected from customers of San Diego Gas and Electric Company, Southern California Edison Company, and Pacific Gas and Electric Company. Existing law prohibits the total cost over the duration of these programs from exceeding \$2,366,800,000, and specifies that the total costs include moneys collected directly into a tracking account for support of the CSI and moneys collected into other accounts that are used to further the goals of the CSI.

This bill would delete the specification that the total costs of the above programs include moneys collected into other accounts that are used to further the goals of the CSI.



Existing law requires that another financial component of the CSI consists of programs for the installation of solar energy systems on new construction, as specified. This provision of existing law makes specific cross-references to the “public goods charge.”

This bill would delete those cross-references from that provision. The bill would specify that nothing in the provisions governing the financial components of the CSI provides the PUC with any authority to order the collection of the moneys or to increase the amount collected through an existing charge.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.



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